



# 2010 QAP APPLICATION WORKSHOP



Office of Affordable Housing



## ROUND UP OF 2008 & 2009 AWARDS

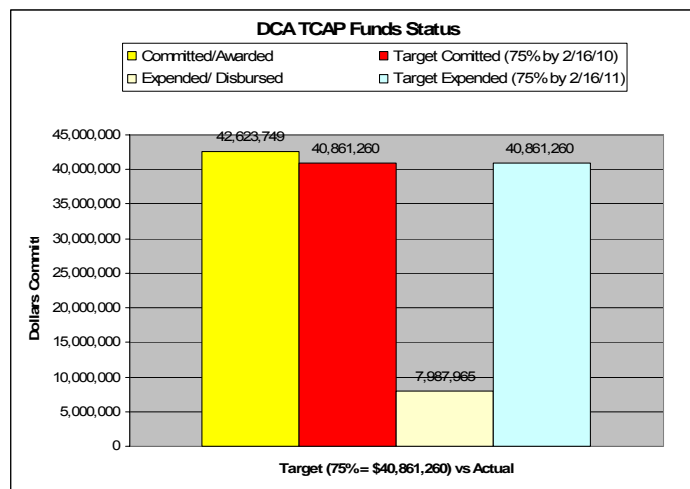
Laurel Hart  
Office Director  
Office of Affordable Housing

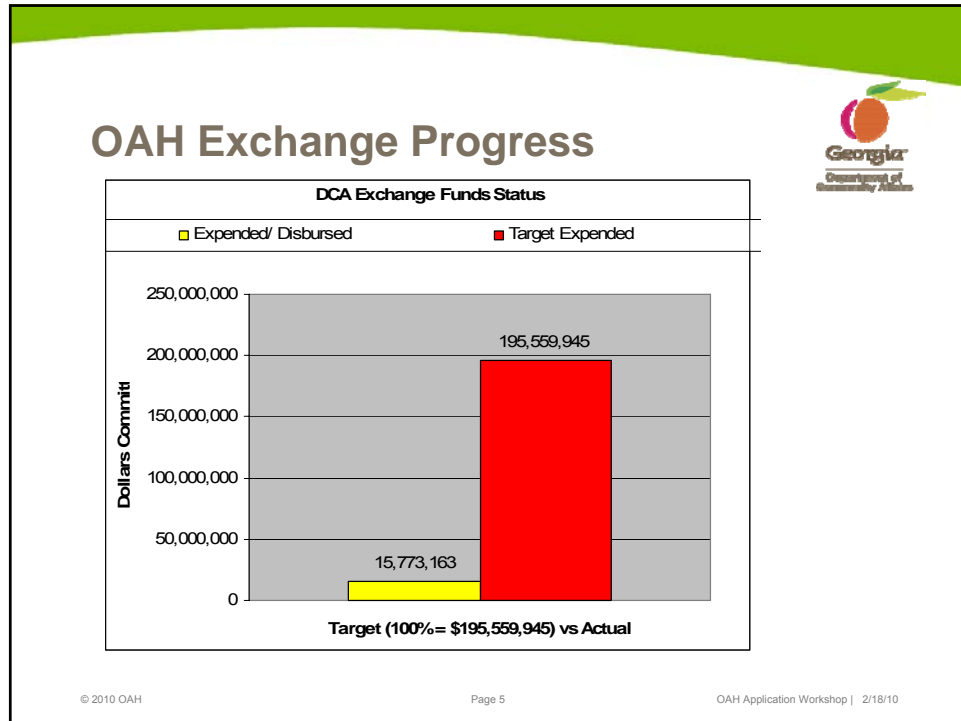
## Overall OAH ARRA Program Status



<u>ARRA Program</u>	<u>State Award</u>	<u>Committed %</u>	<u>Amount</u>	<u>Disbursed %</u>	<u>Amount</u>
TCAP	\$54,481,680	78%	\$42,861,260	15%	\$7,987,965
Exchange	\$195,559,945	54%	\$104,654,694	8%	\$15,773,163

## OAH TCAP Progress






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# PROPOSED CHANGES TO THE 2010 ROUND

Laurel Hart

## Proposed Changes



DCA IS PROPOSING A 60 DAY DELAY  
IN THE 2010 COMPETITIVE ROUND

CREDITS AWARDED FROM 2011 VOLUME CAP

- DCA is seeking public comments on change
- Written comments
- Additional comment date of March 1, 2010

## Proposed Application Dates



- Pre-application / Pre-Determination Submissions:  
June 17, 2010
- Application Submission Date: July 22, 2010
- Non compliance that is identified as of April 1, 2010 will be considered in the compliance scoring section.

## Proposed Underwriting Dates



- Interest rate on preliminary financing commitments: use applicable rate effective June 1, 2010
- DCA will publish guidance on credit prices no later than June 1, 2010
- Applicable credit percentage rate for June 2010 should be used for underwriting.
- Alternate financing deadline: October 13, 2010

## Additional Date Changes



- Notification due to DCA of alternate financing awards: September 30, 2010
- Site Control through December 31, 2010
- Documentation of National Historic Designation: October 19, 2010

## Tax Credit Allocation



	Volume Cap	Credits		
		Allocated	Returned by Owners	Exchanged w/Treasury
<b>2007</b>	19,539,190	19,539,190	2,037,454	0
<b>2008</b>	21,205,516	21,180,829	11,197,318	0
<b>2009</b>	22,518,670	22,518,670	0	23,007,052

## Pre-Application / Pre-Determinations



- Experience Determinations/Waiver
- Probationary Experience Request
- DCA HOME Consent
- Architectural Standards Waiver
- Amenities Waiver
- Operating Expense Waiver
- Payment & Performance Bond Waiver

## Factors In Change



- ARRA Funds Not Available For This Round
- Awards Would Probably Not Be Announced Until Late November
- Additional Time For Placing In Service
- Everyone Has Credits From The Same Year
- Time For Market To Normalize
- Back To Business As Normal

## 2010 ROUND RESOURCES & UPDATES

Sandy Wyckoff



## Upcoming Events



- **Roundtables**
  - HOME & Feasibility (March 18<sup>th</sup> and 25<sup>th</sup>)
  - 8823
  - Environmental
  - Architectural
  - Market Study
  - Record Retention & GORA
  - Relocation
- **What would you like to see?**
  - Send suggestions to [Sandy.Wyckoff@dca.ga.gov](mailto:Sandy.Wyckoff@dca.ga.gov)

## Something Old, Something New



- Limited Pre-Application
- Market Advantage / Scoring of market studies
- No Tier 1
- Project Caps removed
- No Cost Limit Waivers
- Boost changes
- Financial Leveraging options increased





## Questions and Answers



- Deadline: July 2, 2010
- General Questions
- Project Specific Questions
- Don't call around! Protect yourselves.
- Verbal advice is not binding – Get it in writing

All Q&A should be sent in writing to:  
oahround2010@dca.ga.gov

## “We Are Here For You”



- Office Director – Laurel Hart  
[Laurel.Hart@dca.ga.gov](mailto:Laurel.Hart@dca.ga.gov)
- Compliance – Nan Maddux  
([Nan.Maddux@dca.ga.gov](mailto:Nan.Maddux@dca.ga.gov))
- Cost Certs / Bonds Apps – Fenice Taylor  
([Fenice.Taylor@dca.ga.gov](mailto:Fenice.Taylor@dca.ga.gov))
- HOME / Underwriting – Marie Palena  
([Marie.Palena@dca.ga.gov](mailto:Marie.Palena@dca.ga.gov))

## “We Are Here For You”



- Legal – Cassandra Knight  
([Cassandra.Knight@dca.ga.gov](mailto:Cassandra.Knight@dca.ga.gov))
- Environmental – Tracey Edwards  
([Tracey.Edwards@dca.ga.gov](mailto:Tracey.Edwards@dca.ga.gov))
- Construction – Jennifer Adams  
[Jennifer.Adams@dca.ga.gov](mailto:Jennifer.Adams@dca.ga.gov)
- Architecture – Michael Collins  
[Michael.Collins@dca.ga.gov](mailto:Michael.Collins@dca.ga.gov)

## “We Are Here For You”



- Market Study – David Bartlett  
[David.Bartlett@dca.ga.gov](mailto:David.Bartlett@dca.ga.gov)
- Asset Management – Theresa Hill  
([Theresa.Hill@dca.ga.gov](mailto:Theresa.Hill@dca.ga.gov))
- Technical / App Spreadsheet – Stephen Barrett  
([Stephen.Barrett@dca.ga.gov](mailto:Stephen.Barrett@dca.ga.gov))
- General Questions – Sandy Wyckoff  
[Sandy.Wyckoff@dca.ga.gov](mailto:Sandy.Wyckoff@dca.ga.gov)

## DCA Updates



### Newsletter

- DCA news
- Events
- Website postings and updates



**FASTER. FRIENDLIER. EASIER.**

### Join our email distribution list

- OAH Multifamily Web Page  
<http://www.dca.ga.gov/housing/HousingDevelopment/programs/OAH.asp>
- [Sandy.Wyckoff@dca.ga.gov](mailto:Sandy.Wyckoff@dca.ga.gov)

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## DCA QAP Cover Model Contest



### Who was eligible?

- Projects placed in service between 2006-2009
- Rehab / New Construction
- Submitted by December 31, 2009

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## DCA Cover Model Runner Ups



*Tuscany Village*



*Blakely Commons*



*Washington Estates*



*College Square*

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## DCA 2010 QAP Cover Model



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## LEGISLATIVE CHANGES

### *Housing and Economic Recovery Act*



Fenice Taylor

### American Recovery and Reinvestment Act (ARRA)



- **Tax Credit Assistance Program (TCAP)**
  - Tax credit award 10/1/06 – 9/30/09
  - With tax credits (tax credit carryover and 8609s)
  - Subject to federal cross cutting requirements

## American Recovery and Reinvestment Act (ARRA)



- **Tax Credit Exchange Program (Exchange):**
  - Not placed in service before 1/1/09
  - With or w/o tax credits (Exchange carryover and 8609s)
  - Good faith effort
  - Gap financing / total exchange
  - Exchanges made at 85 cents
  - Loss of federal credits = loss of state credits

## HERA and Exchange



### Acquisition credit

- 10-year hold
- Related person issue

## Pending Legislations




- **Tax Extenders Act of 2009; Senate Jobs Bill (draft)**
  - 1-Year Extension of Exchange Program
    - 40% of per capita credit
    - 40% of GA's share of national pool credit
    - 100% of unused credit, and
    - 100% returned credit
  - Other

## Impact of Extender Bill




- Primarily used for 2009 deals
- Little affect on 2010 deals
- DCA will administer the 2009 program differently
- Few changes allowed in development budget
- Use to fund gaps between underwriting and actual pricing in deals with credits
- Better to find a syndicator



# EVALUATION OF COMPETITIVE ROUND APPLICATIONS

Rod Peters



## Completeness Review

- Application Organization
- Follow Directions for Application Day
- Include all Required Documents
- Electronic Application is the Original
- Submission of Required Forms (See Tabs Checklist)
- Meet all deadlines

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## Threshold Clarifications



### WHAT THIS IS:

- Administrative in nature
- For missing or incomplete documents
- For clarification of information submitted

### WHAT IT IS NOT FOR:

- Modifying applications
- Providing documents that were not in existence at application
- Correcting application errors

## Threshold Clarifications



Documentation submitted as a clarification during threshold review period is not utilized for scoring.

Example: Applicant forgets to include commitment for NSP funds in application. If the commitment existed on application date, it may be submitted for purposes of project feasibility determination, but not for points.

## Threshold Failures



- Applications that fail to meet Threshold requirements will be notified in writing
- Applicant must respond in writing within 5 calendar days from the date of the DCA notification letter.
- Response must provide a clear and specific explanation of why the Applicant believes DCA's initial determination was incorrect.

## Threshold Failures



### Examples of Threshold Failures:

- Mistake in credit calculation that results in less credits. (Deferred Developer Fee Maxed Out)
- Market Failure (Ex. extended market area)
- Failure to complete 8-Step Environmental Process
- Deferred developer fee can't be paid in 15 years

## Scoring Review



**“Threshold is the Regular Season,  
Scoring is the Playoffs”**

**DCA is a “strict constructionist” during scoring!**

- No new documentation can be submitted after Application submittal for purposes of scoring
- No chance to clarify or correct mistakes
- Self-Score Required
- Use all comment sections to your advantage

## Scoring Review (cont.)



- 48-Hour Comment Period for response after Preliminary Score Results
- Don't include new documentation with your response
- Comment period is not a chance to cure “Scoring Deficiencies”
- Competitive Application Selection

## Scoring Review (cont.)



- Lower scoring projects may be selected
- Geography factors in selection
- Balance “point chasing” with putting together your best application
- DCA will use its discretion to choose best projects

## Using Comment Section



### TELL US WHAT YOU ARE THINKING

- Methodology and Explanation for Development and Operating Assumptions
- Application volume necessitates thoroughness
- Explain the basis of calculation for items such as:
  - Local Government Fees
  - Real Estate Taxes
  - Annual Operating Utility Costs
  - Insurance Costs
- No comment section should be left blank.

## Point Adjustments



- Organization
- Financial Adjustments
- 1-3 Adjustments equals One Point Deduction
- After 3, each adjustment equals a One Point Deduction

## Cost Limits



- NO Per Unit Cost Waivers for 2010
- DCA allocation restricted to the Per Unit Cost Limit (PUCL)
- Maximum Developer's Fee restricted to the PUCL

## Development Budget



### Major Change

#### NO cost limit waiver provisions in 2010 QAP.

- Double Check that you have met per unit cost limits.
- Accurately estimate taxes and insurance.
- Double check land values.
- Construction costs must be reasonable
- Check DCA requirements such as developer fee limitations etc.

## Cost Limits (cont.)



- Per Unit Cost Limit Tax Credit / HOME Projects

Unit Type	Cost Limit
Efficiency	\$110,481
1-Bedroom	\$126,647
2-Bedroom	\$154,003
3-Bedroom	\$199,229
4-Bedroom+	\$218,693

## Cost Limits (cont.)



- **Brown Field Projects**

Unit type	Cost Limit
Efficiency	\$132,577
1-Bedroom	\$151,976
2-Bedroom	\$184,804
3-Bedroom	\$239,075
4-Bedroom+	\$262,432

## Cost Limits (cont.)



- **Historic Rehabilitation**

The increased limits for historic rehabilitation only applies to the portion of the project costs that applies to Historic Rehabilitation

Unit Type	Cost Limit
Efficiency	\$121,529
1-Bedroom	\$139,312
2-Bedroom	\$169,403
3-Bedroom	\$219,152
4-Bedroom+	\$240,562



## ELIGIBILITY REQUIREMENTS

Nan Maddux



### Compliance Scoring

All General Partner Entities, Development Entities and Principals of each property will receive a compliance history score under this section for inclusion in their DCA Final Score.

Property Managers will receive a Pass/Fail notification and will not receive a numeric score.



## Threshold - Experience



- *Owner* Experience - three (3) continuous years in ownership (development thru lease-up) in at least two (2) multifamily rental housing projects of similar size
- *Developer* Experience - three (3) continuous years in development (development through lease-up) in at least two (2) multifamily rental housing projects of similar size

## Threshold – Experience (cont'd)



- Management Entity must demonstrate prior experience in at least four (4) affordable multifamily rental housing projects of similar size
- Entities determined to be experienced in 2008 and 2009 do not have to complete a new Performance Workbook provided there have been no changes in their organization.

## Threshold - Experience (cont'd)



- Must disclose all entities and individuals in the Owner and Developer organizational structures.
- Experience from 2002 considered

## Threshold - Inexperienced Partnering



- Inexperienced Owner must be part of the General Partnership for the Project
- Inexperienced Developer must be Co-Developer for the Project
- Partnership must remain in effect until the property is complete and has reached stabilized occupancy for a period of two (2) years
- Executed Agreements required

## Inexperienced Partnering Owners and/or Developers with one (1) Project:



- The project must can partner with Owner of Developer... Or
- Can engage an experienced Owner and/or Developer as a consultant to satisfy the experience requirement.
- Owners and Developers that have no experience can no longer use a consultant to meet experience requirements.

## Compliance Scoring Threshold and Scoring 15 Points



- Must **complete** a Compliance History Summary
- List all projects in not only in GA but all states
- Tax Credit, HOME, FDIC/AHDP, Housing Trust Fund, Dept. of Agriculture review of LIHTC properties
- Compliance for last 3 years (2007, 2008, 2009 through April 1, 2010)

## Compliance Scoring Threshold and Scoring 15 Points (cont'd)



- Organization Chart
- Compliance Questionnaire
- Types of noncompliance and point deductions that will be made are outlined in QAP Appendix II Scoring and amount of points deductions.

## Compliance Scoring Threshold and Scoring 15 Points (cont'd)



- Each applicant with a compliance history begins with fifteen (15) points
- Entity that receives Score of five (5) points or less will be deemed ineligible to participate

## Dealing With Non Compliance



- Two (2) points will be added if the General Partner can demonstrate that he has successfully owned, managed and operated eight (8) Georgia Tax Credit Properties within the required time period and that none of the projects received any point deductions as set forth in the above section.
- OR
- Three (3) points will be added if the General Partner can demonstrate that he has successfully owned, managed and operated ten (10) Georgia Tax Credit Properties within the required time period and that none of the projects received any point deductions as set forth in the above section.

## Dealing With Non Compliance



### Low Income Housing Credit Agencies Report of Noncompliance or Building Disposition

“The scope of this guide is limited to guidelines for preparing Form 8823 for submission to the IRS. Taxpayers are responsible for evaluating the tax consequences of noncompliance with IRC 42.”

## Dealing With Non Compliance



### DID YOU KNOW?

*Page 2-3*

“State agencies should report all noncompliance of which they are aware as a result of the annual certification or periodic review of tenant files and physical inspection of the property, without regard to whether the initially outstanding noncompliance is subsequently corrected.”

## Did You Know?

*Page 11-10*



- “Once a unit is determined to be out of compliance with the rent limits, the unit ceases to be a low-income unit for the remainder of the owner’s tax year.
- A unit is back in compliance on the first day of the owner’s next tax year if the rent charged on a monthly basis does not exceed the limit. An owner cannot avoid the disallowance of the LIHC by rebating excess rent or fees to the affected tenants.”

## Did You Know?



*Page 13-4*

“State agencies should report potential Fair Housing violations discovered during their compliance monitoring activities to their HUD regional offices, or other fair housing enforcement agencies”

Region IV Atlanta  
Fair Housing Hub  
Five Points Plaza  
40 Marietta Street, 16<sup>th</sup> Floor  
Atlanta, GA 30303-2806

Office of the Governor  
Housing Division  
Suite 710 International Tower  
229 Peachtree St. NE  
Atlanta, GA 30303

## Did You Know?



*Page 15-3*

- “Vacant units that are not available for rent because the units are not prepared for immediate occupancy are reported as noncompliance under Category 11c.”
- Units must meet Uniform Physical Condition Standards (UPCS).
- Building must also meet UPCS.

## Did You Know?



Beginning in March DCA will be offering several 2-hour trainings for Owners only entitled "Highlights of the 8823 Guide".

### Some of the topics that will be covered are:

- Utility Allowance Regulations/Notices Required
- New Annual Owner Certification Requirements
- Why is 12/31 so important?
- UPCS and rehab units
- What effect will noncompliance have on my Georgia Compliance Score
- What happens if the minimum set-aside is not met in year 4 of the credit period?
- What does "available for the general public" really mean?
- Importance of submitting an orderly and timely cure response



**Watch DCA web site for further information.**

**Direct link to compliance:**

**[www.tinyurl.com/dcacompliance](http://www.tinyurl.com/dcacompliance)**





# POLICY PRIORITIES

Cassandra Knight



## DCA Set-Asides

- Nonprofit Set-Aside
- Rural Set-Aside
- Preservation Set-Aside
- Special Needs Set-Aside
- Supplemental Set-Aside
- Hope VI Set-Aside
- CHDO Set-Aside

## Nonprofit Set-Aside



- p. 12 of 56 of the Core Plan
- 10% of the available 9% credits
- Nonprofit organization must materially participate
- Must present evidence of nonprofit status:
  - IRS letter
  - Articles of Incorporation and/or Bylaws
  - Have a Housing Purpose

## Rural Set-Aside



- p. 12 of 56 of the Core Plan
- 30% of the available credits
- Rural defined in the QAP as those areas designated by USDA as being rural or those listed on QAP Ex. B.

## Preservation Set-Aside



- \$1.8 million available
- A number of different project types eligible listed in the order of priority (see p. 12 of 56 of the Core Plan)
- Projects must not have any outstanding or uncured major noncompliance issues
- Although it is DCA's intention to fund this set-aside, DCA may determine that a project should not qualify
  - Occupied, long term affordability restrictions, in good condition, no danger of losing affordability
  - Project's low score does not meet DCA's overall goals

## Special Needs Set-Aside



- Up to \$900,000.00 (see p. 13 of 56)
- The applicant will need to provide a commitment for Office of Special Housing Initiatives (OSHI) funds.
- If more than one project meets all threshold criteria as well as the requirements of this set aside, OSHI will select the project(s) that will be selected for the set aside.
- While it is DCA's intention to fully fund this set aside, DCA may at its discretion, determine that a low scoring project does not sufficiently meet DCA's overall goals to be selected for an allocation

## Supplemental Set-Aside



- Up to \$1 million (see p. 13 of 56)
- DCA projects funded prior to 2000 which have a DCA resource that have physical issues which cannot be remedied through normal workout processes and which pose a threat to the continued affordability of the project.
- Other extraordinary needs based on the current volatile economic market as determined by DCA
- The allocation of credits under this set aside will not be made in the competitive round
- DCA reserves the right to deny any request not meeting DCA policy objectives.

## HOPE VI Set-Aside



- **Up to \$1.7 million for PHA sponsored initiatives**
- **The initiative must:**
  - Provide affordable units for 30 years or more
  - Be a part of a mixed income phased community
  - Facilitate the deconcentration of poverty
  - Provide for community improvements
- **Documentation requirements (see p. 14 of 56)**
  - A copy of the HOPE VI Revitalization Grant Assistance Award (Form HUD -1044)
  - A letter from the Executive Director of the identified PHA
  - A copy of the HUD approved Revitalization Plan

## CHDO Set-Aside



- p. 18 of 56
- Fifteen percent (15%) of the State's HOME allocation
- Must be pre-qualified by DCA as a CHDO
- Must act as sole or joint Owners of projects. The CHDO must be either the sole general partner of the ownership entity or the managing general partner of the ownership entity.
- The CHDO must also exercise effective control of the project and own at least 51% of the general partnership interest.

## Award Limitation / Capacity



- Applicants will be permitted to submit a maximum of four (4) applications for funding resources under the Plan.
- Applicants will be limited to direct or indirect Ownership interest in projects in which the combined total Federal Credit from the 2010 competitive funding round cannot exceed \$1.7 million or HOME funding cannot exceed 25% of the available resources
- Exceptions Exists (see page 38 of 56)

## Tie-Breakers



- See p. 45 of 56
- Projects utilizing the least amount of DCA resources per unit
- Applicants committed to GA Affordable Housing
- Majority special needs projects with PSHP funds
- Phased projects
- HOPE VI and other PHA sponsored projects
- Projects that have demonstrated need/waiting list
- Family projects
- Projects that incorporate a high degree of sustainability
- Historic projects

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## CALCULATING YOUR CREDITS

David Bartlett

## Eligible Basis



- Depreciable costs related to the construction of new residential rental housing
- Depreciable costs related to the substantial rehabilitation of existing residential rental housing
- Cost of existing buildings in some cases

## Eligible Basis



- The Project's Development Costs determine the Eligible Basis Calculation.
- Critical items in the Development Cost are
  - Builder Profit is limited to a maximum of 6% the Contract Sum, excluding contractor services
  - Builder's Overhead and General Requirements are limited to 8% of the Contract Sum excluding contractor services
  - Referenced on Page 20 of the Core

## Eligible Basis



- Reserves, Marketing, Cost for Permanent Financing, DCA Application and Monitoring Cost are not allowed in Eligible Basis
- Land Cost is not allowed in Eligible Basis
- Developer Fees limitation applies to both development costs and eligible basis at all stages
- DCA restricts the maximum Developer Fee as outlined on page 21 of the CORE

## Eligible Basis – Credit %



- 9% - New Construction and Rehab
- 4% - Acquisition and Bonds

Credit % = the month prior to the month of the app submission deadline.



## Applying the State Designated Basis Boost



- Projects eligible for the state designated boost:
  - Rural projects without DCA HOME as a source;
  - Historic Rehab projects qualifying for historic rehab;
  - Extraordinary financial circumstances which require the boost to ensure the continued feasibility of a project previously approved by DCA and not yet placed in service.
- All projects will need to show that the boost is needed and that the project meets all of DCA's underwriting and other criteria.

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## GAP Method



Tax Credit Annual Allocation is also limited by the GAP Method. Tax Credit awards will be limited to the lesser of the Eligible Basis Calculation or the Equity Gap Calculation:

- Equity prices used in the GAP Calculation includes both Federal and State credit prices
- DCA to publish the equity prices for the purposes of 2010 application underwriting by 6/1/10

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## Acquisition & Rehab



DCA Minimum Rehab Expenditures are HIGHER than the Federal Requirements.

- Greater of 20% of the adjusted basis of the building or \$25,000 rehab hard costs per unit for properties 20 years old or less and \$30,000 for properties that exceed 20 years old.

## Acquisition & Rehab



### Acquisition of an existing structure

- The conversion of an existing building from a higher income to a low-income project without the minimum required rehabilitation DOES NOT qualify for tax credits.
- Demolition of a building is considered Land Cost and not included in Eligible Basis regardless of who is contracted to do the demolition.

## Mistakes to Avoid



- For purposes of underwriting acquisition Credits, the building basis must be limited to the lesser of the sales price or the appraised value of the building(s).
- Selected Projects. DCA will require that all tax credit only projects selected for funding provide an appraisal that support the purchase price as well as the value of the property upon completion.
- Contractor Fee limit applies to both cost and eligible basis.

## UNDERWRITING TOPICS

Charles Clark



## Feasibility Overview



- **DCA View of Feasibility:**
  - Maintain debt service coverage
    - Minimum of 1.15X for 15 year compliance period or HOME Loan term, whichever is greater.
    - Maximum Threshold DSC ratio
      - 1.40X for Urban
      - 1.50X for Rural
  - Reasonable vacancy rate
    - DCA minimum is 7%, but we are seeing higher.
    - DCA Vacancy is “economic” vacancy , not “physical” vacancy
    - Economic vacancy considers credit loss (bad debt), loss to lease, concessions

## Feasibility Overview



- **DCA View of Feasibility (Continued):**
  - Realistic Operating Expenses – DCA seeing dramatic increase in operating Expenses with no relief in sight
    - Water/Sewer
    - Real Estate Taxes
  - Accurate Debt Service – many times debt service does not track Supporting commitments
    - HUD insured loans
    - USDA 538 / 515

## Underwriting Issues



- **Material Changes in DCA Policy**
  - Minimum Operating Expenses increased
    - City of Atlanta \$4,500
    - Urban Other Than Atlanta \$4,000
    - Non-MSA Rural \$3,000
    - USDA 515 as Funding source \$3,000
  - Threshold DSC ratio
    - 1.40 for Urban
    - 1.50 for rural

## Underwriting Issues



- **Material Changes in DCA Policy (Continued):**
  - For HOME projects, all units will be HOME units
    - one drop of HOME taints the whole project

## Underwriting Issues



- **Key Determinants of Feasibility**

- “Going In” numbers
  - Vacancy
  - Expenses
- Growth Rates
  - DCA’s are minimums
  - DCA has found 2% of income and 3% for expenses often unrealistic, especially in Atlanta
- Sensitivity Analysis
  - Stress Test your project for sustainable feasibility
  - Will it at least break even in year 15 with 1% income growth and 4% expense growth?

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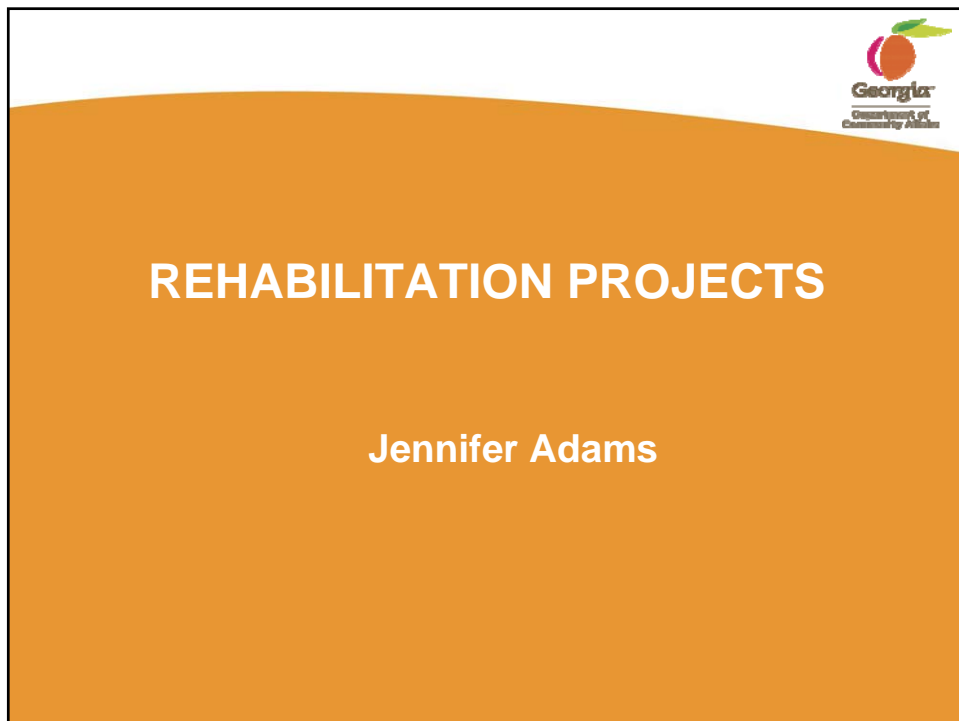


## IMPACT OF FEDERAL INTERVENTION IN THE TAX CREDIT PROGRAM: Syndicating Your Deal

### Guest Panelists

Rick Davis, III (Wells Fargo)  
Joe Hagan (National Equity Fund)  
Corine Sheridan (Boston Capital)  
Paul Smith (Direct Tax Credits)

**Moderators:** Fenice Taylor, Marie Palena



## Rehabilitation Creating a Work Scope Considerations



- Expected life of the completed property (must exceed Compliance Period or the Period of Affordability by 5 years)
- Minimum per unit costs:
  - \$25,000 for properties 20 years old or less
  - \$30,000 for properties greater than 20 years old

## Rehabilitation Creating a Work Scope Considerations (cont'd)



- Life Safety Code: must meet new construction standards for stairs, handrails, guardrails, smoke detectors, fire alarms, and unit fire separation (attic draft stops, fire separation, rated party walls and floor/ceiling components, and caulking of all penetrations in the fire assemblies)
- Energy: must meet new construction standards for Georgia Energy Conservation Code and DCA Building Sustainability Threshold Requirements



## Rehabilitation Creating a Work Scope Considerations (cont'd)



- Accessibility: must meet new construction standards for compliance with UFAS standards; this may include moving partitions to accommodate required clearances
- Environmental remediation (asbestos, lead, radon, mold, etc.)
- Uniform Physical Conditions Standards (UPCS): this may include significant investment in asphalt paving and concrete sidewalks
- Plans and specifications will be required if funded

## Application Submittals: Physical Needs Assessments



- **Must be performed by a DCA Qualified Consultants**
  - RFQ : <http://dca.ga.gov/housing/HousingDevelopment/programs/ProcureandContracting.asp>
  - submittals accepted on a rolling basis
- **Immediate Needs must include the following:**
  - minor components with less than 5 years expected useful life
  - major components with less than 15 years expected useful life

## Application Submittals: Work Scope



- DCA format for work scope includes scope description, quantities, costs
- Should be completed by the Owner/Applicant, Architect, Contractor, and Property Manager.
- References: Physical Needs Assessment Manual, Architectural Standards, Accessibility Manual

## THE IMPORTANCE OF GREEN IN THE GEORGIA TAX CREDIT PROGRAM



### Guest Panelists

Houston Brown

Scott Lee

Nicholas Sherman



## Green Building & Sustainability



Green Building Criteria in 2009 State Low Income Housing Tax Credit Programs

### 2009 QAP Green Building Rating Summary

RANK	STATE	LHTC PLAN	Smart Growth					Energy Efficiency					Resource Conservation					Health Protection					TOTAL
			MR	SR	AR	PT	PS	MR	SR	AR	PT	PS	MR	SR	AR	PT	PS	MR	SR	AR	PT	PS	
27	Connecticut	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
28	Georgia	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
29	Maryland	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
31	New Jersey	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
33	Washington	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
37	Massachusetts	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
38	Minnesota	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
39	New York	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
45	Vermont	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
51	California	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
55	Illinois	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
56	Louisiana	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
57	Hawaii	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	
64	North Dakota	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	



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**January 24, 2010**

**SURPRISINGLY, GEORGIA LEADS THE WAY IN GREEN AFFORDABLE HOUSING**

Filed under: [Guest Columns](#) — Maria Saporta @ 8:38 pm

By Guest Columnist **DENNIS CREECH**, executive director of the *Southface Energy Institute*


Did you know that Georgia leads the nation in green affordable housing?

Just last week, Global Green USA released its *fifth green building rating summary* of state qualified allocation plans (QAP) which guide the annual distribution of federal Low Income Housing Tax Credits (LIHTC) – a vital program that encourages developers to build affordable housing. And yet again, Georgia ranks at the top of the list, tied for first place with Connecticut!

Because of the outstanding efforts of the Georgia Department of Community Affairs (DCA), which is responsible for establishing the QAP for Georgia, our state has ranked at the top of the Global Green list for the past five years.

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## Building Sustainability Threshold Requirements



HVAC System HERS Rating (Home Energy Rating System)	85 or less; Residential Energy Services Network (RESNET) energy modeling software compares a proposed design to 2006 International Energy Conservation Code specifications; the lower a home's HERS Index, the more energy efficient it is in comparison to the code
Duct leaking/air infiltration	Must meet or exceed the Energy Star BOP (Builder Option Package) requirements for the applicable climate zone
<b>Attic insulation</b>	<b>R-38</b>
<b>Wall insulation</b>	<b>R-15</b>

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## Building Sustainability Threshold Requirements (cont.)



Bathroom fans	sound level, cfm, & efficiency level requirements
Windows & door glazing	Double pane, low emissivity Uvalue <0.4, SHGC <0.4
Plumbing fixtures	shower heads <2.0 gpm bathroom faucets < 2.0 gpm
Water heaters	Electric: .93 Gas: .62
Appliances	Energy Star rated refrigerators, dishwashers, washing machines (provided by owners in unit)
Wall & floor finishes	Low VOC (volatile organic compounds)
Lighting	80% fluorescent fixtures
Community Laundry	All washers in community laundry are front-loading, Energy Star rated

## Building Sustainability References



- **Energy Star**
  - [https://www.energystar.gov/index.cfm?c=bldrs\\_lenders\\_raters.homes\\_guidelns](https://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.homes_guidelns)
- **EarthCraft**
  - <http://www.earthcrafthouse.com/>
- **LEED (USGBC)**
  - <http://www.usgbc.org/DisplayPage.aspx?CMSPageID=222>



# PRESERVATION

Tracey Edwards



## Expiring Tax Credits

**What are they?** Low Income Housing Tax Credit properties approaching the end of their initial 15 year compliance period.

**Generally, the Owner has the option of either:**

- Opting out of the affordability restrictions and placing the property for sale without recapture;
- Applying for additional tax credits to keep the project affordable and addressing any repairs needed.

## Expiring Tax Credits



### Some considerations to think about when deciding what option to pursue:

- The existing state of the property: Properties that have deteriorated significantly may not be appropriate for conversion.
- Current market conditions
- Develop a plan
- Evaluate the stakeholders

## Expiring Tax Credits



### Some considerations to think about when deciding what option to pursue (cont'd):

- Know the exact Placed In Service (PIS) date. The date may be different for different buildings. Plan disposition in year 16 for the last building placed in service.
- Are there any Right of First Refusal restrictions?
- Buyout option to purchase a partnership interest.

## Expiring Tax Credits Closing Thoughts



Prior to the end of the initial 15 year compliance period, begin thinking about a plan of action.

You may want to consider the following:

- Before year 15, determine the when the compliance ends;
- Review current performance and develop projections;
- Review any capital needs. This also includes evaluating any tax liabilities.

## Historic Preservation



Benefits to doing a historic preservation project:

- Ability to be creative
- Supports green initiatives
- Opportunities are usually located near the center of the city which contributes to its economic development
- Maintains historic integrity of buildings

## Historic Preservation



Other considerations:

- Displacement of tenants
- Opposition from the community
- Environmental issues
- Working with SHPO
- Time constraints

## Preservation Points



### Historic Designation

**3 points**

Buildings on the project site that are listed individually in the National Register of Historic Places (NRHP) and will be preserved in accordance with SHPO requirements.



## Preservation Points



### Documentation Requirements

Listing in the NRHP in the Application; **OR**

- Able to demonstrate that the buildings on the project site are potentially eligible to be listed because they are located in a "registered historic district" or buildings are located in a potentially eligible district that contributes to the significance of the district and will be preserved.
- Must provide a SHPO nomination letter or approval.

## Preservation Points



### Preservation

**3 points**

- Applications that proposes the preservation of an affordable housing project with low-income housing tax credits that is beyond the fourteenth year of the compliance period **OR**
- DCA HOME only funded developments, if the minimum statutory period of affordability has expired.

## Preservation Points



### Documentation Requirements:

The partnership's tax returns for the first and last years in which credits were claimed must be provided, along with the appropriate IRS Forms 8609 attached.

Note: Preservation points can be claimed even if the existing project will be demolished and undergo reconstruction.

## Adaptive Reuse Points



### Adaptive Reuse

**1 point**

The intent of Adaptive Reuse is to creatively use an existing building such as a school and transform it into a multifamily building.

- Must represent a change in use of a major building for residential use or as a community building.
- So, projects that simply reuse buildings that are already part of an existing multi-family development are not eligible for the point.

## Adaptive Reuse Points



### Documentation Requirements:

- Documentation showing the previous use of building
- Photographs of the building to be reused
- Statement about whether the building to be reused is occupied or not
- Narrative of how the building will be reused

## What can an affordable project do for a community?





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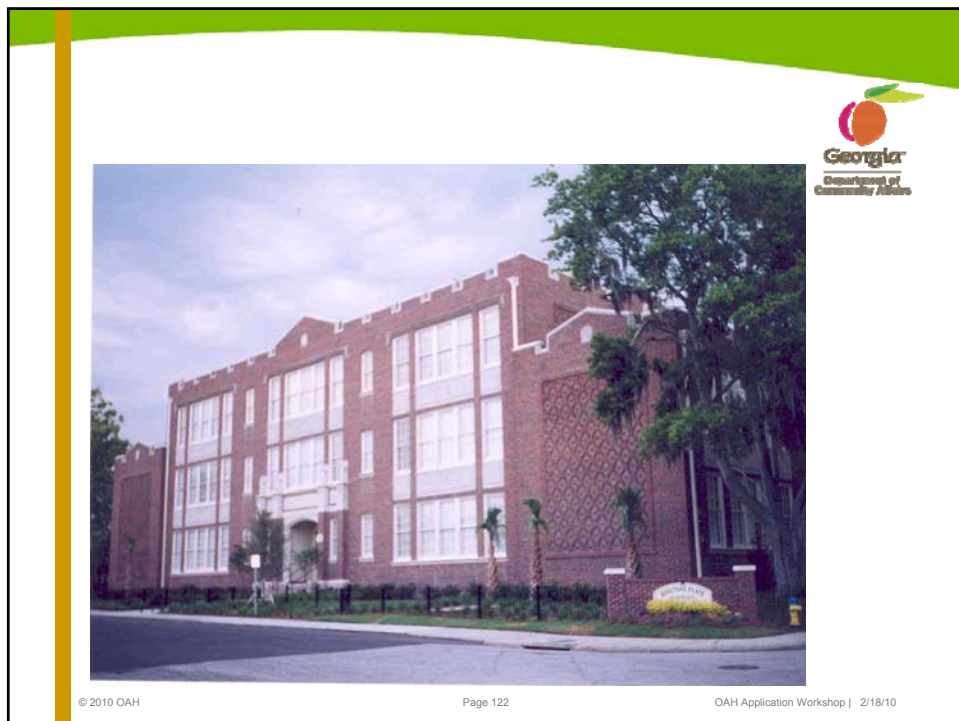
Georgia  
Department of  
Community Affairs



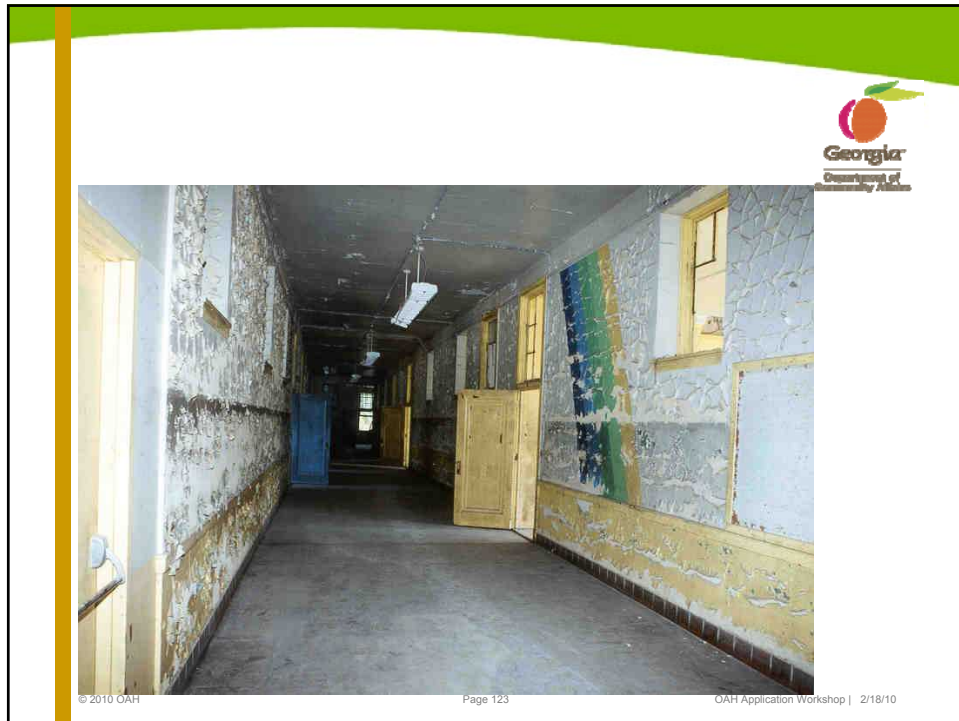
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# TENANT RELOCATION

Lynnette Watson



## What's New In Relocation?

- **Site Relocation Survey Form**
  - Mandatory for all applicants
  - Identify Site Structures
  - Identify Possible Tenant Relocation
- **Occupied Structures**
  - Relocation is applicable (Renters)
  - Business
    - Include in Sales Agreement (Tax Credit Only)

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## Application Documents



- Project-specific Relocation Plan
- Relocation Cost Estimate
- Multifamily Tenant Relocation Plan Certification
- Occupancy History (recent 90 days)
- Relocation / Displacement Project Spreadsheet
- Site Map
- Tenant Household Data Form
- Relocation Site Survey

## REDEVELOPMENT PLAN

Cassandra Knight



## Stable Communities / Redevelopment/Revitalization



### Scoring

Maximum of 6 points

- |   |          |
|---|----------|
| A. Stable Communities   | 3 points |
| B. Community Redevelopment / Revitalization<br>Plans and Strategies |          |
| 1. HOPE VI  | 6 points |
| 2. Promotes Neighborhood Stabilization                              | 3 points |
| 3. Statutory Redevelopment Plans                                    | 2 points |
| 4. Redevelopment Zones  | 2 points |
| 5. Local Redevelopment Plan   | 1 points |

## Stable Communities



Three points for projects that are located in a census tract that meets the following demographics according to the most recent FFIEC Census Report ([www.ffiec.gov/WebCensus/](http://www.ffiec.gov/WebCensus/)).

- Less than 10% below Poverty level (see Income)
- Designated Middle or Upper Income level (see Demographics)
- Less than 25% of housing units are rental occupied (see Housing)
- Tracts not designated as Distressed or Underserved (see Demographics)
- Market study must demonstrate need for affordable housing

## Community Redevelopment/ Revitalization Plans and Strategies



- **HOPE VI**

- Set-aside also in place
- Affordable units a part of a mixed income phased community
- Provide for community improvements or amenities, which may include improved public infrastructure, green space, improved transportation or other improvements benefiting the community

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## Community Redevelopment/ Revitalization Plans and Strategies



- **Promotes Neighborhood Stabilization**

- Mirrors many of the requirements of the NSP
  - Foreclosed, abandoned, blighted
- No new DCA NSP
- Use of other recipient's NSP in the tax credit round jointly dependent on their award requirements and our funding deadlines.

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## Community Redevelopment/ Revitalization Plans and Strategies

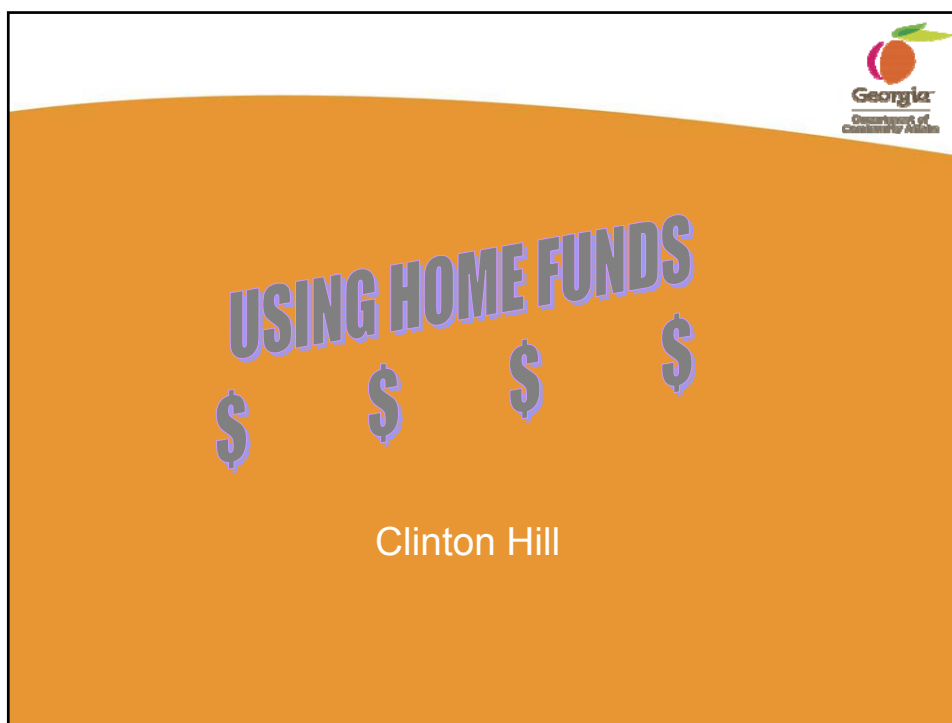


- **Promotes Neighborhood Stabilization (cont.)**
  - Includes greyfield redevelopment
    - Must be vacant, abandoned or 90% of the square footage is unused and at least 25% of the site must be comprised of associated parking areas.
  - Documentation (p. 15 of 29)
    - Pictures and narrative are very important
    - Copies of foreclosure documentation
    - Letter of support to evidence stabilization activities

## Community Redevelopment/ Revitalization Plans and Strategies



- **Statutory Redevelopment Plan**
  - OCGA Sec. 36-44 et. seq. OR OCGA et. seq. 36-61
  - Plan current, ongoing and directly affects proposed project
- **Redevelopment Zones**
  - QCT/DDA
  - State Enterprise Zone
- **Local Redevelopment Plan**
  - Adopted by January 1, 2010
  - Plan current, ongoing and directly affects proposed project
- **Documentation is key to this scoring area:**
  - Copy of Plan
  - Evidence of Adoption or Resolution



## HOME Basic Information

- Application due by 4:00 PM - June 17, 2010
- MUST receive consent to formalize
- If home funds not used, Tax Credits may be withdrawn

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## HOME New/Changed in 2010



- If project has HOME funds, **ALL** low income units are subject to HOME regulations
- Annual operating expenses – page 31 (\$4.5k, \$4k, \$3k)
- Replacement Reserve amounts (same as QAP) – p. 37
- Operating Deficit Reserve (ODR) increased to 6 months D/S and 6 months Operating Expenses – page 41

## HOME Program Requirements



- Minimum - \$1,000,000 / Maximum - \$2,500,000
- Period of Affordability – coincides with loan term; determined during underwriting – (Page 3)
- Floating or fixed? Floating if not otherwise indicated

## HOME Program Requirements



### CHDO

Pre-development expenses – DCA maybe be able to help. Doug Scott (404) 327-6881 – CHDO Pre-Development Loan Program

## HOME Selection Criteria



- (HOME manual - page 47)
- CHDO
- Rural
- HOME debt only
- Prior HOME successful applicants
- HOME projects in portfolio
- Compliance History
- **Final Award:** At conclusion of 2010 multifamily competitive funding round

## HOME Required at Submission



- HOME Loan Consent Application
- Project Description / Narrative
- Performance Workbook
- HOME Environmental / Relocation Acknowledgement

## HOME Additional Documentation



- Instructions for Affirmative Action
- Applicant-Recipient Disclosure-Update
- Form Certification, Contracts, Loans, Cooperative Agreements
- General Contractor Actual Cost
- MBE/WBE Outreach Plan
- Certification of Independent Accountant
- General Contractor Certification
- HOME Loan Contractor Cost Cert
- Site and Neighborhood Standards (new construction only)



## HOME Common Mistakes



- Incomplete Questionnaires
- Missing support documentation
- Failure to review the HUD/HOME Guidance
- Incorrect information
- Handwritten responses
- Failure to keep DCA informed of changes in staff
- Ambiguous or contradictory information – USE COMMENTS. Comments are appreciated! 😊

## PROJECT-SPECIFIC QAP PROVISIONS

Laurel Hart



## Optimal Utilization of Resources



**Purpose: Complete, effective, efficient allocation of resources.**

- Score is not considered
- Threshold failure
- Opportunity to explain

## Optimal Utilization of Resources



**Factors that are considered:**

- Property acquisition and rehabilitation cost versus the cost to demolish and build a similar property in the same market area
- Ratio of acquisition costs versus rehab hard costs
- DCA resources allocated to develop each unit
- Effectiveness and aesthetics versus the cost of a mitigation plan
- Efficient and marketable use of the site, considering size and lay-out, to accommodate the number and type of units and amenities proposed

## Optimal Utilization of Resources



- Undue enrichment of any development team member or contractor particularly where there are identities of interest
- Impact on affordable housing stock
- Other uses proximate to the site
- Market information generated by or available to DCA; and
- Property is already affordable and not a priority for receipt of resources
- Transaction appears to be primarily driven by the transfer of the property

## Superior Project Concept



Purpose: Points for a community changing effect on the neighborhood or a unique concept or design

Factors that are considered:

- Superior level of sustainability
- Unique and urgent need
- Substantial community support

## Superior Project Concept (cont'd)



- Unique concept or design
- Coordination with other state and local funding sources
- Why project is different than most tax credit projects

## Superior Project Concept (cont'd)



### Documents

- Two page narrative
- Supporting documentation

### Examples from 2009

- Sustainable
- Ware hotel
- Savannah Gardens



## LEVERAGING YOUR CREDITS

Laurel Hart



### Leveraging of Resources

Maximum of 7 points

**Requirements:**

- binding and unconditional
- utilized if the project is selected for funding by DCA.
- construction and permanent financing phases
- loans must be for a minimum period of ten years
- interest rates at or below AFR.
- Commitment or award documentation must meet the terms and conditions as applicable specified in Appendix I, Threshold Criteria, Section I.

## Leveraging of Resources (cont'd)



**Three types of resources qualify for these points:**

- Grants / Loans Maximum of 3 points
- DCA Resources Maximum of 3 points
- Third party resources for off site improvements

## Leveraging of Resources (cont'd)



## Grants / Loans

- Community Development Block Grant (CDBG) program funds (\$500,000 Minimum) 1 point
- Federal Home Loan Bank Affordable Housing Program (AHP) (\$500,000 Minimum) 1 point
- Long term Ground leases for nominal consideration and no other land costs 1 point
- NSP not allocated from DCA (\$1,000,000 Minimum) 1 point

## Leveraging of Resources (cont'd)



- Beltline Grant  
(\$1,000,000 Minimum) 1 point
- Housing Opportunity Bonds  
(\$1,000,000 Minimum) 1 point
- HOME Funds (non DCA source)  
(\$1,000,000 Minimum) 1 point
- HUD 202 or 811 program funds  
(\$3,000,000 Minimum) 3 points

## Efficient Use of DCA Resources



Maximum of 3 points

- DCA OAH HOME Loan Consent 3 points
- DCA allocated NSP funds  
(\$1,000,000 Minimum) 3 points

## Off Site Improvement, Amenity and Facility Investment



### 2 points

- unrelated third party (foundation, trust, and/or government) investment of resources
- off-site infrastructure improvements
- adjacent to the project site, or
- development of parks, green space and shared amenities, recreational facilities and improvements adjacent to the proposed project site that will serve the tenant base for the subject project.

## Off Site Improvement, Amenity and Facility Investment



- The proposed improvements, amenities and/or facilities must be completed prior to the proposed placed in service date for the project.
- The development cost and source of funding associated with the development of the improvements, amenities and/or facilities must be mutually exclusive of the development cost and sources of funding for the subject property.
- \$1,000,000 and be paid for in full by the unrelated third party.





# MARKET REQUIREMENTS & EXPECTATIONS

David Bartlett  
Brandon Bruce



## Market Study Requirements

- Market study by a DCA approved analyst showing that there is adequate market demand for the project.
- Project will stabilize within DCA requirements.
- The market study must be prepared in accordance with DCA guidelines and must be in the format required by the DCA Market Study Manual.
- Market studies must accurately reflect the rental structure and unit mix of the proposed project.
- The accuracy and outcomes of the Market study will be considered in the scoring of applications.

## DCA's Role in Market Review



- DCA will use the conclusions of the analyst in determining whether the project is marketable,
- DCA will not be bound by the opinion or conclusions reached by the market analyst.
- DCA will review the market study, rent rolls and project data of similar projects located in close proximity to the proposed project in determining whether the project will be able to achieve the desired lease up to be feasible.

## Market Study



DCA will also carefully analyze existing DCA projects located in close proximity to the proposed project to determine if selection of the project will have significant adverse financial impact on existing affordable housing inventory.

## Market Study 2010 Changes



The marketability of each project will be scored based on the required Market Study.

A maximum of 4 points will be awarded to each project:

- (2) points will be awarded for Completeness
- (2) points will be awarded for Market Advantage

## Market Study General Considerations



- DCA will generally not fund two projects in the same locality with the exception that a new construction and occupied rehab may be selected. In some cases, DCA may select a family and a senior project provided the projects are not located in close proximity to each other and there is a significant showing of demand.

## Market Study General Considerations (cont'd)



- In order to ensure that projects can achieve lease up quickly, DCA will not generally select a proposed Application for an allocation if a project awarded an initial allocation of credits between 2007 and 2009 is located in close proximity to the proposed site and serving the same population (Family and Senior). "Close proximity" shall be defined in rural areas as the local government jurisdiction or ten miles, whichever is greater. Close proximity shall be defined in urban areas as a two mile radius. (Phased projects are excluded).
- DCA will not generally fund more than one phase of a project in a round.

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## Market Study 2010 Scoring Changes



Goal of changes:

**Complete and accurate market studies**

OWNER IS RESPONSIBLE FOR REVIEWING  
MARKET STUDY TO ENSURE THAT IT IS  
COMPLETE!

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## Market Study 2010 Changes



### Owner responsibility

- The Market Study is submitted by the applicant and it is the responsibility of the applicant to ensure that the Market Analyst completes the Market Study in accordance with the QAP and the Market Study Manual criteria.
- To ensure that they are knowledgeable of Pages 44 & 45 of the CORE and Section four (4) of Threshold

## Scoring



### Completeness

Completeness points will be based upon the following:

- Analysts' ability to follow the required format and structure of the 2010 Market Study Manual
- The extent that the information in the report is supported and explained by the demographic materials and the analyst research in the field will be reflected in the overall completeness scoring

## Scoring

### Completeness Scoring

•Executive Summary	12 points
•Project Description	4 points
•Site Evaluation	8 points
•Market Area	10 points
•Community Demographic Data	6 points
•Employment Trend	4 points
•Project-specific Affordability & Demand Analysis	20 points
•Competitive Rental Analysis (Existing Competitive Rental Environment)	14 points
•Absorption & Stabilization Rates:	6 points
•Interviews	3 points
•Conclusions and Recommendations	4 points
•Market Analyst Certification and Checklist	4 points

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## Scoring

### Market Advantage Scoring considers the following:

- Demographic Trends and Analysis
- Site Evaluation
- PMA Size & Justification
- Market & Proposed Rents
- Captures Rates
- Competitive properties in the market area

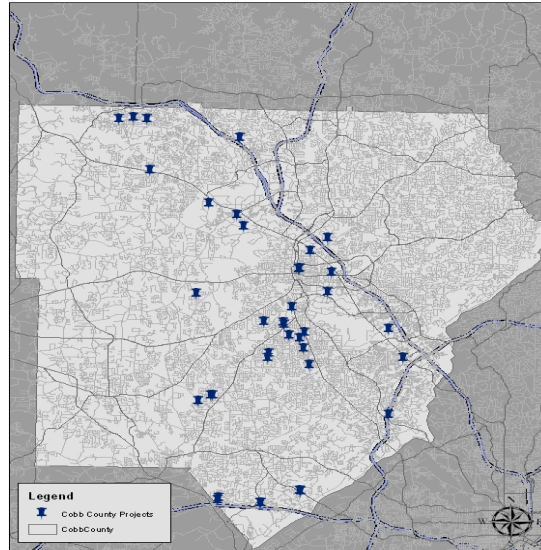
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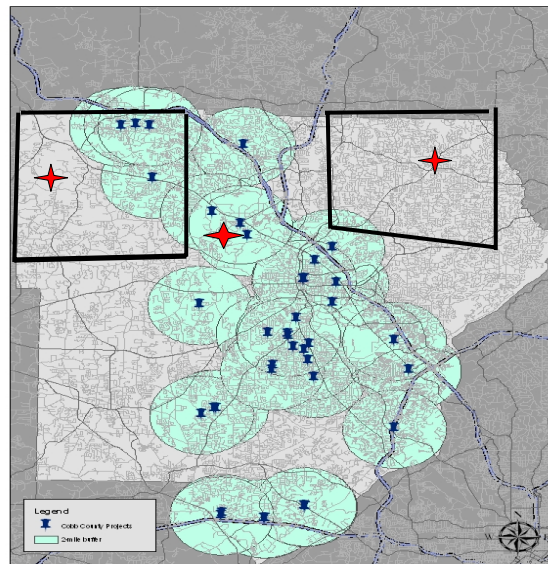


## Market Case Study: Cobb County



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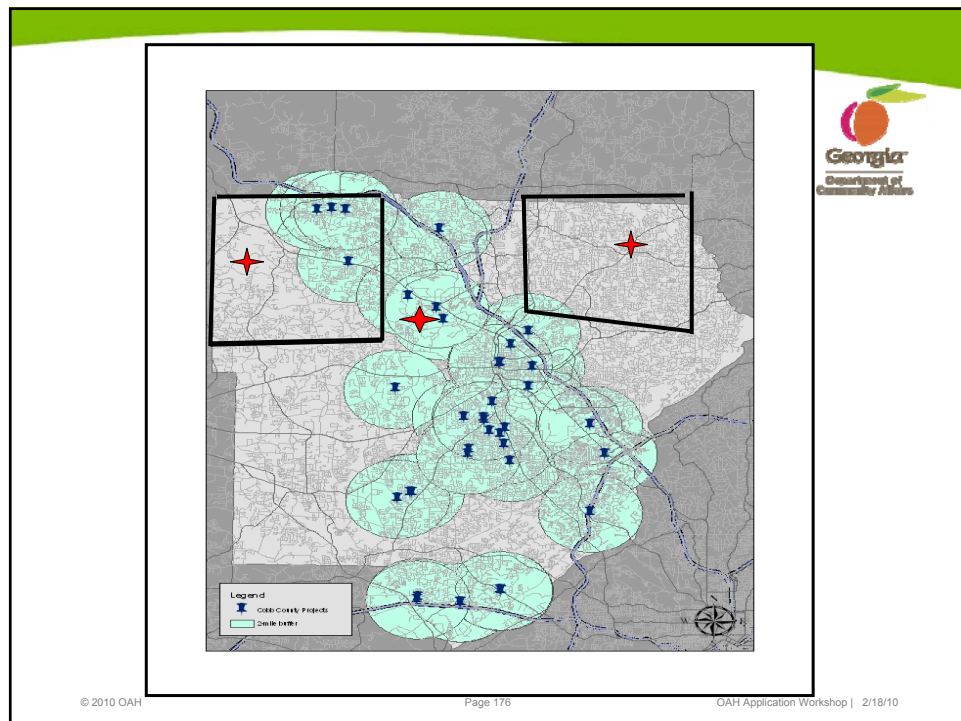
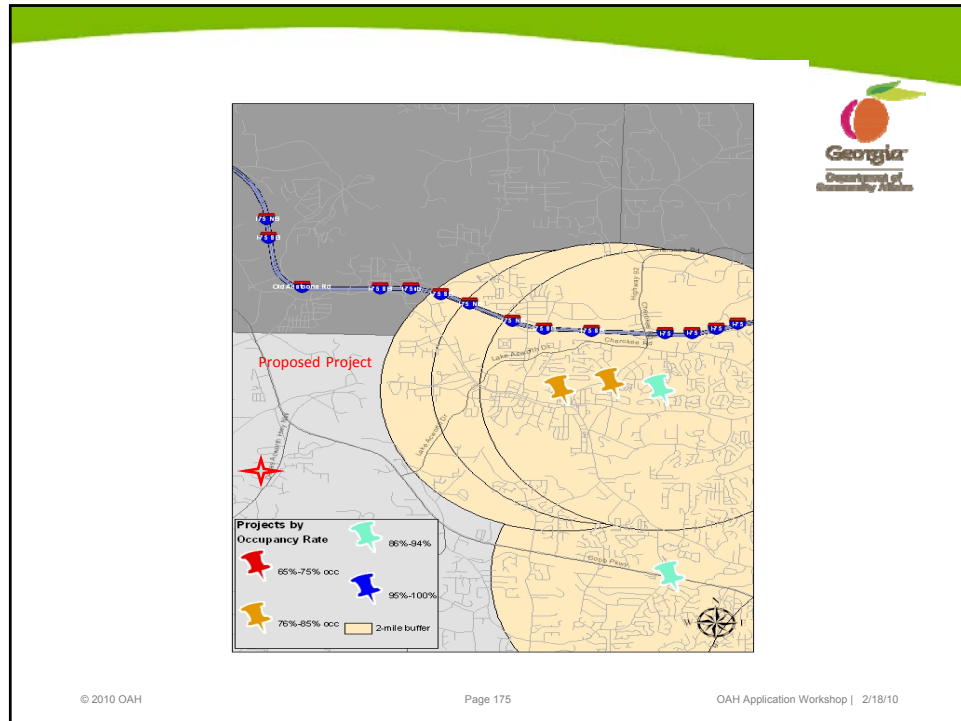
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## Specifics



- CORE Page 44 & 45
- The Market Study is submitted by the applicant and it is the responsibility of the applicant to ensure that the Market Analyst completes the Market Study in accordance with the QAP and the Market Study Manual

## Explanation of Point Question and Response



The applicants will be given a 48 hour time period to justify any points taken from a market study.

